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**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF NEVADA**

In re:

Grand Canyon Destinations LLC,  
Debtor

Case No. 23-10399-NMC

Chapter 11

(Jointly Administered)

In re:

Athens, Inc.  
Debtor.

Case No. 23-11659-NMC  
Chapter 11

**UNITED STATES SMALL BUSINESS  
ASSOCIATION'S JOINDER TO THE  
U.S. TRUSTEE'S MOTIONS TO  
REMOVE SUBCHAPTER V DEBTOR  
IN POSSESSION PURSUANT TO 11  
U.S.C. § 1185(a), GRANT RELIEF  
UNDER 11 U.S.C. § 1183(b)(2), and  
RESERVATION OF RIGHTS (Docket  
Nos. 50, 118)**

Hearing Date: July 11, 2023  
Hearing Time: 9:30 A.M.

The United States Small Business Administration ("SBA") hereby files its joinders to the *Motion of the U.S. Trustee to Remove Subchapter V Debtor in Possession Pursuant to 11 U.S.C. § 1185(a), Grant Relief Under 11 U.S.C. § 1183(b)(2), and Reservation of Rights* ("Motions") (Docket Nos. 50, 118) in the now jointly administered bankruptcy cases of Athens Inc., and Grand

1 Canyon Destinations, LLC, the Chapter 11 debtors and debtors in possession herein  
2 (“Debtors”).

3 The U.S. Trustee asserts facts and raises allegations suggesting that the Debtors and  
4 their president, Anthony Dobbs, may have misapplied and/or misused loan proceeds from  
5 two SBA Economic Injury Disaster Loans (“EIDL” or “disaster loan”) authorized under  
6 Section 7(b) of the Small Business Act. Specifically, a borrower must use its disaster loan  
7 proceeds solely in accordance with the Use of Loan Proceeds section of the Loan  
8 Authorization and Agreement. Mr. Dobbs, as the Owner/Officer of Grand Canyon  
9 Destinations, LLC, executed a Loan Authorization and Agreement dated May 31, 2020, to  
10 which Grand Canyon Destinations agreed to be bound by the terms and conditions therein  
11 and the Uses of Loan Proceeds. Furthermore, Mr. Dobbs, as the Owner/Officer of Athens,  
12 Inc., executed a Loan Authorization and Agreement dated June 17, 2020, to which Athens,  
13 Inc. agreed to be bound by the terms and conditions therein and the Uses of Loan Proceeds.  
14 The Uses of Loan Proceeds provide:

15 Borrower will use all the proceeds of this Loan solely as working capital to alleviate  
16 economic injury caused by disaster occurring in the month of January 31, 2020 and  
17 continuing thereafter and to pay Uniform Commercial Code (UCC) lien filing fees  
18 and a third-party UCC handling charge of \$100 which will be deducted from the  
Loan amount stated above.

19 Despite the foregoing, and in an apparent breach of the EIDL terms, evidence presented in  
20 these now jointly administered bankruptcy cases suggest that Mr. Dobbs caused the  
21 Debtors’ EIDL proceeds to be transferred to another entity - New Charters Nevada - and  
22 not for the actual borrower - the Debtors, or used as working capital, in violation of the  
23 terms of the Loan Authorization and Agreement.

24 Misapplication of loan proceeds is a violation of the Federal Regulations and the  
25 terms of the Debtors’ disaster loans. Whoever wrongfully misapplies the proceeds of a  
26 disaster loan authorized under Section 7(b) will be liable to SBA for one and one-half times  
27 the proceeds disbursed to the borrower as of the date SBA learns of its wrongful  
28 misapplication. Wrongful misapplication means the willful use of any disaster loan proceeds

1 without SBA approval contrary to the Loan Authorization. If a borrower fails to use disaster  
2 loan proceeds for authorized purposes for 60 days or more after receiving a loan  
3 disbursement check, such non-use also is considered a wrongful misapplication of the  
4 proceeds. 13 C.F.R. § 123.9(a); 15 U.S.C. § 636(b).

5 Therefore, according to proof, SBA may find Grand Canyon Destinations, LLC and  
6 Mr. Dobbs liable to SBA for one and one-half times the proceeds disbursed to the Debtor, in  
7 the total amount of \$3,000,000.00 (calculated as \$2,000,000.00 principal disbursed X 1.5 =  
8 \$3,000,000.00). That administrative penalty would constitute an additional claim against the  
9 Debtor's bankruptcy estate.

10 Furthermore, according to proof, SBA may find Athens, Inc. and Mr. Dobbs liable  
11 to SBA for one and on-half times the proceeds disbursed to the Debtor, in the total amount  
12 of \$1,887,450.00 (calculated as \$1,258,300.00 principal disbursed X 1.5 = \$1,887,450.00).  
13 That administrative penalty would constitute an additional claim against the Debtor's  
14 bankruptcy estate.

15 Further, the misapplication at issue are transfers to New Charters Nevada, an entity  
16 in which Mr. Dobbs owns an interest. Therefore, it appears that the transfers of EIDL  
17 proceeds away from the Debtors were for the benefit of the Mr. Dobbs personally and  
18 constituted a breach of the fiduciary duty that Mr. Dobbs owed to the Debtors and their  
19 creditors, including the SBA, as the Debtors did not receive reasonably equivalent value in  
20 exchange for said transfers.

21 Accordingly, SBA joins with the U.S. Trustee that cause exists to remove the Debtor  
22 as debtor in possession under 11 U.S.C. § 1185.

23 Respectfully submitted this 27th day of June 2023.

24  
25 JASON M. FRIERSON  
United States Attorney

26 /s/ Skyler H. Pearson  
27 SKYLER H. PEARSON  
28 Assistant United States Attorney